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Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----------111374 081020Z /11
O 080822Z JUN 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC IMMEDIATE 9323

S E C R E T SECTION 1 OF 2 JAKARTA 7573

EXDIS

DEPT PASS CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: MASS, ID
SUBJECT: MINISTER OF DEFENSE JUSUF'S VIEWS ON MILITARY
PROCUREMENT AND FMS CREDITS

1. I SPENT ABOUT FORTY-FIVE MINUTES WITH MINISTER OF DEFENSE JUSUF ON JUNE 8 AT THE MINISTER'S REQUEST. WE DISCUSSED SEVERAL MATTERS OF CONSIDERABLE INTEREST (SEPTELS), BUT THE MAJOR PORTION OF THE CONVERSATION WAS DEVOTED TO INDONESIA'S ESSENTIAL NEED FOR ADDITIONAL MILITARY EQUIPMENT TO REPLACE PRESENT OBSOLETE ITEMS AND ITS CONTINUED HOPE FOR SOME ADDITIONAL U.S. SUPPORT THROUGH FMS BEYOND THAT PRESENTLY ENVISAGED. THIS MESSAGE REPORTS ON THAT PORTION OF THE CONVERSATION.

2. USUF LED OFF BY SAYING HE HAD TALKED WITH PRESIDENT SUHARTO THE PREVIOUS DAY REGARDING INDONESIA'S ESSENTIAL MILITARY REQUIREMENTS AND THE POSSIBILITY OF ADDITIONAL U.S. SUPPORT. PRESIDENT SUHARTO ATTACHES HIGH AND EQUAL INPORTANCE TO THE NEED TO PROCURE JUST AS QUICKLY AS POSSIBLE F-5 AIRCRAFT, A-4 AIRCRAFT AND AN M-16 COPRODUCTION PLANT. JUSUF ASKED ME WHERE THINGS NOW STOOD REGARDING THE M-16 PROPOSAL.

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3. I SAID THAT, AS WE SAW IT, THINGS WERE NOW ON DEAD CENTER AWAITING AN INDONESIAN INVITATION TO COLT TO SEND A TECHNICAL TEAM TO INDONESIA TO WORK OUT A DETAILED PROPOSAL. THIS TEAM WOULD NEED NOT ONLY TO TALK WITH INDONESIAN OFFICIALS IN JAKARTA, BUT ALSO TO VISIT THE AMMUNITION PLANT AN BANDUNG TO SEE WHAT FACILITIES ALREADY THERE COULD

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BE UTILIZED. ONCE COLT AND THE GOI HAD A FIRM PROPOSAL,
THIS WOULD BE SUBMITTED TO THE U.S. GOVERNMENT FOR FINAL
APPROVAL. WE HAD ALREADY INDICATED TO THE GOI OUR AGREEMENT
IN PRINCIPLE.

4. JUSUF SAID THIS WAS CONSISTENT WITH HIS OWN UNDERSTANDING
OF THE SITUATION AND THAT INDONESIA WOULD PROCEED ALONG
THESE LINES. IN THEIR MEETING THE PREVIOUS DAY, PRESIDENT
SUHARTO HAD DEFINITELY GIVEN HIS APPROVAL TO GO AHEAD WITH
PROCUREMENT OF AN M-16 PLANT, AND GENERAL BENNY MURDANI
WOULD BE PURSUING THIS IN WASHINGTON. SUHARTO FELT IT
WAS ESSENTIAL THAT INDONESIA MOVE IMMEDIATELY TO REACH A
FIRM AGREEMENT WITH COLT. SUHARTO VERY MUCH HOPED, IN LIGHT
OF HIS DISCUSSIONS WITH VICE PRESIDENT MONDALE, THAT THE
U.S. WOULD BE ABLE TO INCREASE AVAILABLE FMS CREDITS IMMEDIATELY
TO COVER THE COST OF THIS PLANT. HE WAS AWARE, HOWEVER,
FROM TALKS BETWEEN INDONESIAN AND U.S. OFFICIALS IN JAKARTA
AND WASHINGTON THAT WE FACED SERIOUS PROBLEMS. IF WE
COULD NOT INCREASE FMS IN FY 78 OR FY 79, THEN INDONESIA
IS PREPARED AS A LAST RESORT TO COVER THE COST OF THE M-16
PLANT FROM ITS OWN RESOURCES. THIS WOULD, HOWEVER, PLACE
A SEVERE STRAIN ON THE INDONESIAN DEFENSE BUDGET IN THE YEARS
AHEAD, AND SUHARTO VERY MUCH HOPES THAT WE WILL CONTINUE
TO DO EVERYTHING POSSIBLE TO INCREASE THE FMS PROGRAM IN THE
YEARS AHEAD ALONG LINES HE DISCUSSED WITH THE VICE PRESIDENT.
TO FINANCE THE M-16 PLANT FROM ITS OWN RESOURCES NOW,
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INDONESIA WOULD HAVE TO DELAY PROCUREMENT OF CERTAIN OTHER
ITEMS, INCLUDING IMPORTANT SPARE PARTS. AUGMENTATION OF
THE FMS PROGRAM IN FUTURE YEARS WOULD HELP INDONESIA COVER
THESE IMPORTANT NEEDS.

5. JUSUF SAID THAT INDONESIA HAS ALSO DECIDED TO PROCURE FROM
ITS OWN RESOURCES 103 M-113 ARMORED PERSONNEL CARRIERS AT A
TOTAL COST OF ABOUT $13 MILLION. THIS, HOWEVER, IS ONLY THE
FIRST INCREMENT OF A REQUIREMENT FOR A TOTAL OF 505 VEHICLES.
ADDITIONAL FMS CREDITS A YEAR OR SO DOWN THE ROAD WOULD BE
EXTREMELY INPORTANT TO HELP INDONESIA COVER THESE COSTS AS WELL.
INDONESIA ALSO MUST IMPORT 50,000 M-16S DURING THE NEXT YEAR OR
TWO BEFORE THE COPRODUCTION FACILITY IS IN OPERATION. IT
HOPES, IN ADDITION, FOR IMMEDIATE U.S. APPROVAL TO BUY
SEVERAL THOUSAND NIGHT OPTICAL SIGHTING DEVICES AND
LASER TARGET ACQUISITION DEVICES FOR EXISTING WEAPONS.

NOTE BY OC/T: NOT PASSED CINCPAC.

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6. JUSUF SAID INDONESIA PLANS TO GO AHEAD WITH PROCUREMENT OF THE A-4 AIRCRAFT AS WELL. THIS PLANE IS ESSENTIAL FOR INTERNAL SECURITY AND CLOSE AIR SUPPORT. HOWEVER, SINCE EXISTING FMS CREDITS WILL BE HEAVILY COMMITTED FOR THE NEXT SEVERAL YEARS TO THE F-5 PROCUREMENT PROGRAM, INDONESIA DOES NOT NOW SEE HOW IT CAN FUND THE A-4 PROCUREMENT. IT WOULD NOT REPEAT NOT BE POSSIBLE, JUSUF STRESSED, TO HANDLE THIS FROM INDONESIA'S OWN RESOURCES IF THE GOI HAS TO COVER THE M-16 PLANT AND OTHER ITEMS. JUSUF WONDERED WHETHER IT WOULD BE POSSIBLE TO INCREASE THE FY 79 FMS TO COVER THIS OR, AT THE VERY LEAST, SOMEHOW TO STRETCH OUT OR DELAY THE PAYMENT ARRANGEMENTS FOR THE F-5 OR THE A-4 SO THAT THE A-4 ACQUISITION PROGRAM COULD BE INITIATED NOW.

7. JUSUF SAID, IN CONCLUSION, THAT HE REALIZED INDONESIA MIGHT BE UNDERCUTTING ITS CASE FOR ADDITIONAL FMS CREDITS BY GOING AHEAD WITH THE M-16 PLANT AND THE M-113S FROM ITS OWN RESOURCES. HOWEVER, PRESIDENT SUHARTO UNDERSTANDS THE PROBLEMS WHICH THE U.S. GOVERNMENT FACES AT PRESENT IN ITS DEALINGS WITH THE CONGRESS. HE IS AWARE OF THE TIGHTNESS OF FMS CREDITS OVER THE NEXT YEAR OR SO. WITH THIS IN MIND, AND CONSIDERING THE HIGH INPORTANCE HE ATTACHES TO THESE ITEMS, HE HAS DECIDED, IF NECESSARY, TO PROCURE THEM FROM HIS OWN RESOURCES. HE HOPES, HOWEVER, FOR OUR CONTINUED UNDERSTANDING AND SUPPORT IN HELPING INDONESIA MEET ITS ESSENTIAL NEEDS
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DURING THE NEXT SEVERAL YEARS WHEN WE MIGHT HAVE GREATER RESOURCES AND FLEXIBILITY.

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8. COMMENT: THIS DISCUSSION RAISES THE POSSIBILITY OF SOME SORT OF PACKAGE ARRANGEMENT WHICH MIGHT MEET INDONESIA'S NEEDS, WHILE TAKING ACCOUNT OF THE LACK OF ADEQUATE FMS CREDITS FOR THE NEXT YEAR OR SO. GIVEN THIS UNUSUALLY CONSTRUCTIVE ATTITUDE BY INDONESIA'S TOP LEADERS, I HOPE WE WILL BE AS FORTHCOMING AS POSSIBLE ON OUR SIDE. AS SEEN FROM HERE, WE BELIEVE THE FOLLOWING TUPES OF ACTIONS ON OUR PART WOULD MATERIALLY ASSIST INDONESIA IN MEETINGS ITS ESSENTIAL MILITARY REQUIREMENTS AND AT THE SAME TIME PROTECT OUR POLITICAL INTERESTS IN THE WAKE OF THE VISIT OF THE VICE PRESIDENT:

A. AUGMENTATION OF FMS CREDITS FOR INDONESIA IN FY 79 TO PERMIT THE GOI TO GO AHEAD IMMEDIATELY ON BOTH THE F-5 AND A-4 WOULD BE BY FAR THE BEST WAY TO BOLSTER OUR POSITION HERE. IF THIS IS ABSOLUTELY INPOSSIBLE, WE WOULD URGE THAT ACTION BE TAKEN TO INCREASE FY 80 AND FY 81 CREDITS BY A TOTAL OF ABOUT $45 MILLION, WITH THE GREATEST AMOUNT POSSIBLE BEING INCLUDED IN THE FIRST YEAR. THIS WOULD HELP INDONESIA WITH ESSENTIAL PROCUREMENT AND HELP LATER TO OFFSET THE COST OF AT LEAST A PART OF THE M-16 PLANT AND OTHER ITEMS FOR WHICH INDONESIA WOULD DEFER PROCUREMENT.

B. TOGETHER WITH THIS, IT WOULD BE MOST USEFUL IF WE COULD EXTEND THE REPAYMENT SCHEDULES FOR THE F-5 AND A-4 (AND FOR THE M-16 IF THIS SHOULD BE COVERED UNDER FMS) SO THAT FUNDS AVAILABLE IN FY 77, FY 78, AND FY 79 WOULD PERMIT INITIATION OF PROCUREMENT ACTIONS FOR THESE ITEMS AS SOON AS POSSIBLE. IT IS OUR UNDERSTANDING THAT DSAA ACTION WOULD BE REQUIRED TO STRETCH OUT REPAYMENT IN THE CASE OF THE F-5

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AND THE A-4 AIR FRAMES, WHEREAS FOR THE A-4 REHABILITATION (AND THE M-16 FACILITY IF PROCURED ON A COMMERCIAL CASH BASIS) THE REPAYMENT TERMS WOULD BE A MATTER BETWEEN THE GOI AND THE COMMERCIAL SUPPLIER.

C. TOGETHER WITH THE ABOVE, IT WOULD BE HIGHLY DESIRABLE TO EXTEND FMS CR REPAYMENT TERMS TO TWELVE YEARS FROM THE PRESENT NINE YEARS. THIS WOULD REDUCE INDONESIA'S ANNUAL PAYMENTS AND MAKE ADDITIONAL FUNDS AVAILABLE TO THE GOI TO FACILITATE COMMERCIAL PROCUREMENT OF SOME OF THE ITEMS DISCUSSED ABOVE.
MASTERS

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